

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 26, 2008
POSITION: Oppose
SPONSOR: Superintendent of Public Instruction, Preschool
CA, Children Now, CA Child Development
Administrators Assn

BILL NUMBER: SB 1629
AUTHOR: D. Steinberg
RELATED BILLS: AB 2759

BILL SUMMARY: Early Learning Quality Improvement System Commission

This bill would establish the Early Learning Quality Improvement System Commission to develop a framework for improving the quality of child care and development programs that serve children from birth to five years of age, including a quality rating scale and a graduated funding model that identifies necessary resources to achieve and maintain higher quality. The bill would designate the Superintendent of Public Instruction (SPI) as the chair of the commission, which would consist of 22 members representing the Secretary of Education, the Legislature, institutions of higher education, state agencies, and the early care and education community. The commission would be required to develop a policy and implementation plan for an Early Learning Quality Improvement System and to submit an interim report containing its recommendations for the creation of such a system to the Legislature and Governor by December 31, 2009 and a final report by December 31, 2010. The provisions of the bill would sunset on January 1, 2012. Finally, this bill is contingent upon the enactment of AB 2759 (Jones), which seeks to consolidate general child care and preschool programs for three- and four-year-old children.

FISCAL SUMMARY

This bill would require the State Department of Education (SDE) to provide staff support to the new commission and to apply for funding from the California Children and Families Commission to cover costs, including per diem, estimated by the SDE at between \$400,000 and \$500,000 annually.

The bill provides that the quality improvement system may be phased in as federal, state, or local public funds are made available. The Department of Finance (Finance) notes that this bill could create a Proposition 98 General Fund cost pressure ranging from the tens of millions to hundreds of millions annually to significantly increase reimbursement rates for early child care and preschool programs, particularly in the absence of availability of federal or local fund sources. The amount would depend on the range of incentives that would be provided beyond current funding rates, the number of providers that would qualify, and the alternative use for any increase in federal funding that may become available in the future.

COMMENTS

While the intent to provide differential pay related to child care program quality is largely consistent with previous proposals by the Administration to incentivize child care providers to raise and demonstrate the quality of their services, Finance is opposed to this bill for the following reasons:

- It presupposes that additional funding is necessary to improve the quality of programs serving infants, toddlers, and preschool aged children. A graduated funding model should consider lowering rates for mediocre or less expensive forms of care as well as raising rates for achievement of benchmarks that contribute to high quality care, such as seeking health and safety training, obtaining a license or teaching permit, enhancing knowledge of early childhood development, becoming accredited, and implementing best practices, in order to remain reasonably within the existing funding levels provided for early child care and preschool programs.
- Given the size of the proposed commission, it may be difficult to accomplish the bill's objectives in an efficient manner and within the specified timeframe. It would be more efficient to utilize fewer members and provide that they consult with other interested stakeholders.
- The bill does not preclude the use of state General Fund dollars to support the work of the commission, stating only that General Fund expenditures shall not be required. While the intent of the bill is to support the commission's costs through funding from the California Children and Families

Analyst/Principal (0382) S. Swan	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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Commission, it should be clarified to explicitly prohibit the use of General Fund for this purpose given the state's structural budget deficit.

- The bill is contingent upon the enactment of AB 2759 (Jones), which seeks to consolidate general child care and preschool programs for three- and four-year-old children. It is unclear why these two bills need to be joined, as a quality improvement incentive system can be implemented without consolidating funding for general child care and preschool programs.

The Administration is willing to work with the author to address the above concerns.

ANALYSIS

A. Programmatic Analysis

This bill would establish the Early Learning Quality Improvement System Commission to develop a framework for improving the quality of child care and development programs that serve children from birth to five years of age. Specifically, the bill would do the following:

- Designates the SPI as the chair of the commission, which would consist of 22 members representing the Secretary of Education, the Legislature, institutions of higher education, state agencies, and the early care and education community.
- The commission would be required to develop a policy and implementation plan for an Early Learning Quality Improvement System and to submit an interim report containing its recommendations for the creation of such a system to the Legislature and Governor by December 31, 2009 and a final report by December 31, 2010.
- The report would include, but not be limited to, the following: (1) an assessment and analysis of the existing early care and education infrastructure; (2) development of an early learning quality rating scale for child care and development programs, including preschool programs, that serve children from birth to five years of age; and (3) development of a graduated funding model aligned with the quality rating scale that provides resources for programs to achieve higher quality levels and supports continuous quality improvement.
- Requires the commission to meet quarterly and requires that all meetings be open to the public. The commission would be required to conduct at least four public hearings in different parts of the state after a draft of the final report is completed and prior to submitting the final report to the Governor and the Legislature.
- Require the SDE to provide staff support to the commission and to apply for funding from the California Children and Families Commission to cover commission costs. Commission members would receive a per diem of \$100 per day for expenses, with the exception of members who are state officers or employees compensated by the state. No General Fund expenditures would be required to fund the work of the commission.
- Provides that the quality improvement system may be phased in at the discretion of the Legislature as federal, state, or local public funds are made available.
- Specifies the bill would sunset on January 1, 2012. The bill is contingent upon the enactment of AB 2759 (Jones), which seeks to consolidate general child care and preschool programs for three- and four-year-old children.

In 2004-05 and 2005-06, the Administration proposed a tiered reimbursement system for Alternative Payment (voucher-based) Programs that would have provided differential reimbursement rates to encourage providers to improve program quality by obtaining additional training and education and improving outcomes as measured by independent standards of quality. Using existing resources for child care and development programs, the tiered reimbursement system would have provided incentives to complete health and safety training, enhance early childhood education, raise scores on environmental rating scales and seek accreditation. Finance notes that this bill would likely result in establishing a system that requires additional resources to pay for quality, rather than using existing resources to encourage child care providers to improve the quality of their programs.

B. Fiscal Analysis

This bill would require the SDE to provide staff support to the commission. The bill directs the SPI to apply for funding from the California Children and Families Commission to cover commission costs. The SDE estimates the cost of providing support to the commission, including per diem, at between

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\$400,000 and \$500,000 annually. This estimate includes four staff at a cost of \$375,000 plus administrative costs ranging from \$75,000 to \$125,000, depending on the number of meetings.

The bill would provide that no General Fund expenditures would be required for support of the commission, and that the commission would only be established after the SPI obtains funds from the California Children and Families Commission or other sources. However, there is nothing that precludes the use of General Fund for support of the commission.

The bill provides that the quality improvement system may be phased in as federal, state, or local public funds are made available. Finance notes that absent the availability of federal or local funds to pay for increases in quality, this bill would create a Proposition 98 General Fund cost pressure ranging from the tens of millions to hundreds of millions annually to significantly increase reimbursement rates for early child care and preschool programs. Additionally, we note that federal child care and development funds, when increased, help mitigate the state's costs in meeting cost of living, growth and CalWORKS caseload increases. To the extent federal funds are dedicated for the purpose of this bill, it would preclude other expenditures and thus drive pressure on Proposition 98 funding for child care.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	Code
6110/Dept of Educ	SO	No		-----	See Fiscal Summary	-----			0001
6110/Dept of Educ	LA	Yes		-----	See Fiscal Summary	-----			0001